

NEW ORLEANS MEDICAL COMPLEX, INC.

**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date SEP 14 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
New Orleans Medical Complex, Inc.

We have audited the accompanying statement of financial position of the **New Orleans Medical Complex, Inc. (the Complex)** (a nonprofit organization) as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of **the Complex's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

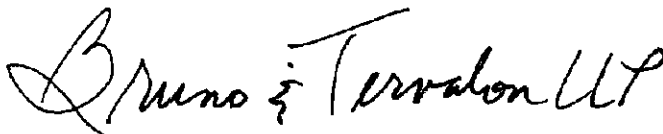
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **the Complex** as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors of
New Orleans Medical Complex, Inc.
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In accordance with the Government Auditing Standards, we have also issued our report dated May 23, 2011, on our consideration of the **Complex's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

May 23, 2011

NEW ORLEANS MEDICAL COMPLEX, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

Assets

Cash	\$ 50,461
Accounts receivable	13,535
Prepaid expense	4,545
Other assets	320
Property and equipment, net of accumulated depreciation (NOTES 1 and 4)	<u>11,611,222</u>
Total assets	<u>\$11,680,083</u>

Liabilities

Accounts payable	\$ 180
Deferred revenues (NOTE 7)	<u>10,736,358</u>
Total liabilities	<u>10,736,538</u>

Net Assets

Unrestricted	<u>943,545</u>
Total net assets	<u>943,545</u>
Total liabilities and net assets	<u>\$11,680,083</u>

See Accompanying Notes to the Financial Statements.

NEW ORLEANS MEDICAL COMPLEX, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Support and Revenue:	
Rental income - Thermal Project	\$ 536,368
Rental income - other (NOTE 2)	<u>52,606</u>
Total support and revenue	<u>588,974</u>
Expenses:	
Program services	534,548
Supporting services	<u>38,855</u>
Total expenses	<u>573,403</u>
Change in net assets	15,571
Net assets, beginning of year	<u>927,974</u>
Net assets, end of year	<u>\$ 943,545</u>

See Accompanying Notes to the Financial Statements.

NEW ORLEANS MEDICAL COMPLEX, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
Professional fees	\$ -0-	\$34,288	\$34,288
Insurance	-0-	4,545	4,545
Other expenses	<u>-0-</u>	<u>22</u>	<u>22</u>
Total expenses before depreciation	-0-	38,855	38,855
Depreciation	<u>534,548</u>	<u>-0-</u>	<u>534,548</u>
Total expenses	<u>\$534,548</u>	<u>\$38,855</u>	<u>\$573,403</u>

See Accompanying Notes to the Financial Statements.

NEW ORLEANS MEDICAL COMPLEX, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

Cash Flows from Operating Activities:	
Change in net assets	\$ 15,571
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	534,548
Decrease in accounts receivable	3,000
Increase in prepaid expenses	(4,545)
Decrease in deferred revenues	(527,368)
Decrease in accounts payable	<u>(14,281)</u>
Net cash provided by operating activities	<u>6,925</u>
Net increase in cash and cash equivalents	6,925
Cash and cash equivalents, beginning of year	<u>43,536</u>
Cash and cash equivalents, end of year	<u>\$ 50,461</u>

See Accompanying Notes to the Financial Statements.

NEW ORLEANS MEDICAL COMPLEX, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

The **New Orleans Medical Complex, Inc. (the Complex)** was organized in Louisiana in 1991 as a nonprofit organization for the purpose of the enhancement of the image of, and the development of a regional medical center located for the most part in downtown New Orleans, Louisiana. The objectives of **the Complex** will be achieved through internal means, resources raised from the community at large and attending periodic public hearings, City Council meetings, State Legislative Committee Meetings, and other meetings to gain approval of requested funding.

Basis of Accounting

The Complex's financial statements are prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost. Additions, renewals, and betterments that add materially to productive capacity or extend the life of an asset are capitalized. Expenditures for maintenance and repairs which do not extend the life of the applicable assets are charged to expense as incurred.

NEW ORLEANS MEDICAL COMPLEX, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
CONTINUED:

Property and Equipment, Continued

Upon retirement or disposal of an asset, the asset and accumulated depreciation accounts are adjusted accordingly. Any resulting gain or loss is included in the statement of activities.

Depreciation of the property and equipment is provided over the estimated useful lives of the assets (three to thirty years) on a straight-line basis.

Income Taxes

The Complex is exempt from federal income taxes through Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes have been made in the accompanying financial statements.

The Complex files as a tax-exempt organization. Should that status be challenged in the future, **the Complex's** 2008, 2009, and 2010 tax years are open for examination for the IRS.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Statement of Cash Flows

For the purpose of the statement of cash flows, **the Complex** considers all highly liquid instruments purchased with maturities of three months or less to be cash equivalents.

NEW ORLEANS MEDICAL COMPLEX, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
CONTINUED:

Financial Statement Presentation

For the year ended December 31, 2010, **the Complex** followed the requirements of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Section 958-205 *Not-for-Profit Entities, Presentation of Financial Statements*, in the presentation of its financial statements. Under FASB ASC Section 958-205, **the Complex** is required to report, as applicable, information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets. In addition, **the Complex** is required to present a statement of cash flows.

Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets - Support, revenues, and expenses for the general operation of **the Complex**.

Temporarily Restricted Net Assets - Contributions specifically authorized by the donors to be used for a certain purpose or to benefit a specific accounting period.

Permanently Restricted Net Assets - Contributions subject to donor-imposed restrictions and that are to be held in perpetuity by **the Complex**. Generally, the donors of these assets permit **the Complex** to use all or part of the income derived from the investment of these contributions.

At December 31, 2010, **the Complex** has no temporarily or permanently restricted net assets.

NEW ORLEANS MEDICAL COMPLEX, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
CONTINUED:

Contributions

The Complex accounts for contributions in accordance with FASB ASC Section 958-605, *Not-for-Profit Entities, Revenue Recognition* accounting for contributions received and contributions made. In accordance with FASB ASC Section 958-605, contributions are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are re-classified to unrestricted net assets.

Deferred Revenues

The Complex reports as deferred revenue grants and membership dues received earlier than the time for revenue recognition.

Also, deferred revenue is recognized for the prepayment of base rent obligations of Entergy Thermal relating to leases with **the Complex** (see NOTE 6).

Donated Services

The value of donated services is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition.

NEW ORLEANS MEDICAL COMPLEX, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - OPERATING LEASES - LESSOR:

The Complex subleases office space to a tenant for a five (5) year term ending September 30, 2015 for an annual rental amount of \$12,000.

The Complex leases a portion of its land for parking spaces under a memorandum of understanding. The terms of the lease are for a period of twenty-four (24) months effective July 1, 2009 through June 30, 2011, with a monthly rental of \$3,384.

Minimum future rental to be received on non-cancellable leases as of December 31, 2010 for each of the next five (5) years are:

<u>December 31,</u>	<u>Amount</u>
2011	\$32,303
2012	12,000
2013	12,000
2014	12,000
2015	<u>12,000</u>
Total	<u>\$80,303</u>

NOTE 3 - FAIR VALUES OF FINANCIAL INSTRUMENTS:

The fair values of financial instruments have been determined utilizing available market information and appropriate valuation methodologies. **The Complex** considers the carrying amounts of cash to approximate fair value.

NEW ORLEANS MEDICAL COMPLEX, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - PROPERTY AND EQUIPMENT:

Property and equipment are stated at cost as follows:

Land	\$ 920,261
Parking garage	<u>16,036,441</u>
	16,956,702
Less: accumulated depreciation	<u>(5,345,480)</u>
Net property and equipment	<u>\$11,611,222</u>

NOTE 5 - THERMAL FACILITY:

Entergy Thermal, a division of Entergy Business Solutions, Inc., has constructed and developed, and operates and provides a district energy system of thermal services. The district energy system is a system that produces and distributes centralized chilled water, hot water and steam to buildings or other facilities located in the **Complex** area.

The Complex has constructed a building that is a parking facility and space for the installation of the thermal services facility. The building's land is leased from the Board of Supervisors of Louisiana State University and Agricultural and Medical College (Board of Supervisors). **The Complex** leases a portion of the building facility to Louisiana State University Medical Center (LSUMC) and subleases space to Entergy Thermal for the operation and production of centralized thermal services.

Entergy Thermal has leased, operated and modernized the Charity and LSU central plants through the construction of improvements to make them part of the district energy system.

NEW ORLEANS MEDICAL COMPLEX, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - DISTRICT ENERGY PROJECT LEASES:

Leases relating to the development and improvements of physical plants and the construction of parking facilities within **the Complex** are as follows:

Ground Lease

Effective as of November 1, 1998, **the Complex** entered into an agreement to lease land from the Board of Supervisors for an initial term ending September 30, 2020, with two (2) options for additional periods of five (5) years each. On this land, **the Complex** completed the construction of a building containing a parking garage. During the term of the ground lease, title for the building will vest with **the Complex**. Beginning in 2003 and throughout the term of this lease, Entergy Thermal will pay the required lease payments as agreed to with the Board of Supervisors.

Reciprocal Lease

The Complex leases to the Board of Supervisors that portion of the constructed building containing the parking garage for an initial term ending September 30, 2020 with two (2) options for additional periods of five (5) years each. **The Complex** leases from the Board of Supervisors the Central Plants of LSU and Charity for a term ending September 30, 2020, with two (2) five (5) year options. Rent will not be received by or paid to the portion of the reciprocal lease agreement.

Instead, consideration to be received by the parties will be the right of occupancy in and to the property of the other party and obligations of each party to the other for the maintenance and rehabilitation of the occupied premises.

Thermal Facility Lease

The Complex leases the thermal facility to Entergy Thermal for a term ending September 30, 2020, with two (2) five (5) year options.

NEW ORLEANS MEDICAL COMPLEX, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - DISTRICT ENERGY PROJECT LEASES, CONTINUED:

Central Plants Sublease

The Complex leases to Entergy Thermal for a term ending September 30, 2020, with two (2) five (5) year options.

Addendums to the central plant and the thermal facility leases permitted Entergy Thermal to prepay certain base rent obligations under the leases. Rental income is reported in the financial statements of **the Complex** on a straight-line basis of the total prepayment amount over the estimated thirty (30) year term of the related lease.

NOTE 7 - DEFERRED REVENUES:

As of December 31, 2010, deferred revenues consisted of the following:

Prepayment of base rent obligations	\$10,727,358
Prepayment of office space lease	<u>9,000</u>
	<u>\$10,736,538</u>

NOTE 8 - CONCENTRATION OF CREDIT RISK:

The Complex maintains a low-interest bearing account at a local bank. The FDIC provides unlimited deposit insurance coverage on this account through its Temporary Transaction Account Guarantee Program. This unlimited insurance coverage is temporary and will remain in effect through December 31, 2012. At December 31, 2010, **the Complex's** deposits were fully insured.

NEW ORLEANS MEDICAL COMPLEX, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 9 - SUBSEQUENT EVENTS:

In 1995, the State of Louisiana (the State), the City of New Orleans and **the Complex** entered into a Cooperation Endeavor Agreement (the CEA) to set forth the terms of administering a State of Louisiana funded project that was limited for capital improvements for **the Complex**, Research Park Land Acquisition and City Development Phase I. The CEA further provided that in the event the property comprising the project is no longer used for the purposes for which the project was authorized, full ownership of property acquired with project grant funds shall revert to the State at no cost to the State.

In 1997, **the Complex** purchased land along with incurring related land acquisition costs totaling \$920,261. The land acquisition costs was reimbursed to **the Complex** by the State for allowable grant expenses related to the above described project.

In April 2010, the State and Louisiana State University (LSU) requested that **the Complex** convey to them the project property, currently being used by **the Complex** as a leased parking lot, without compensation to **the Complex**. The State's and LSU's request asserted that the project property was not being used in the furtherance of the intent and purposes of the 1995 CEA, as previously mentioned above. After further discussions among **the Complex**, the State and LSU in connection with the conveyance of the project property, the State agreed to cover a portion of **the Complex's** legal cost relating to the transfer and **the Complex** agreed to transfer the property to the State and LSU.

On May 19, 2011, **the Complex's** Board of Directors executed an Act of Conveyance, in which **the Complex** transferred to the State of Louisiana, the Board of Supervisors of Louisiana State University A&M College and the Division of Administration, Office of the Governor, all of **the Complex's** right, title and interest to the property acquired with the State of Louisiana project grant funds, as described above.

In the 2011 fiscal year, **the Complex** will delete as a fixed asset the entire costs of the land acquisition project, reported in the financial statements in the amount of \$920,261 at December 31, 2010.

Subsequent events were evaluated through May 23, 2011, which is the date the financial statements were available to be issued.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
New Orleans Medical Complex, Inc.

We have audited the financial statements of the **New Orleans Medical Complex, Inc. (the Complex)**, (a not-for-profit corporation) as of and for the year ended December 31, 2010, and have issued our report thereon dated May 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered **the Complex's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **the Complex's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **the Complex's** internal control over financial reporting.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

Internal Control Over Financial Reporting, Continued

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the **Complex's** financial statements will not be prevented, or detected and corrected on a timely basis.


Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Complex's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

This report is intended solely for the information and use of the Board of Directors, management and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

May 23, 2011

NEW ORLEANS MEDICAL COMPLEX, INC.
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010

I. SUMMARY OF AUDITORS' RESULTS

- A. The type of report issued on the financial statements: **unqualified opinion.**
- B. Significant deficiencies in internal control were disclosed by the audit of the financial statements: **no** material weaknesses: **no**.
- C. Noncompliance which is material to the financial statements: **no**.
- D. Significant deficiencies in internal control over major programs: **not applicable** material weaknesses: **not applicable**.
- E. The type of report issued on compliance for major programs: **not applicable**.
- F. Any audit findings which are required to be reported under section 510(a) of OMB Circular A-133: **not applicable**.
- G. Major programs: **not applicable**.
- H. Dollar threshold used to distinguish between Type A and Type B programs: **not applicable**.
- I. Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133: **not applicable**.
- J. A management letter was issued: **no**.

NEW ORLEANS MEDICAL COMPLEX, INC.
SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

**II FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

No matters reported.

III. FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Not applicable.

NEW ORLEANS MEDICAL COMPLEX, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010

**A. INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO THE FINANCIAL STATEMENTS**

09-01 - Submission of Audit Report

We recommended that the Complex review its financial reporting procedures to ensure that audit engagements are submitted to the State of Louisiana Legislative Auditor within the required time frame.

Current Status

Resolved.

**B. INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO FEDERAL AWARDS**

Not applicable.

C. MANAGEMENT LETTER

No prior year management letter comments reported.